

I. YEAR'S HIGHLIGHTS

A. Gross Handle

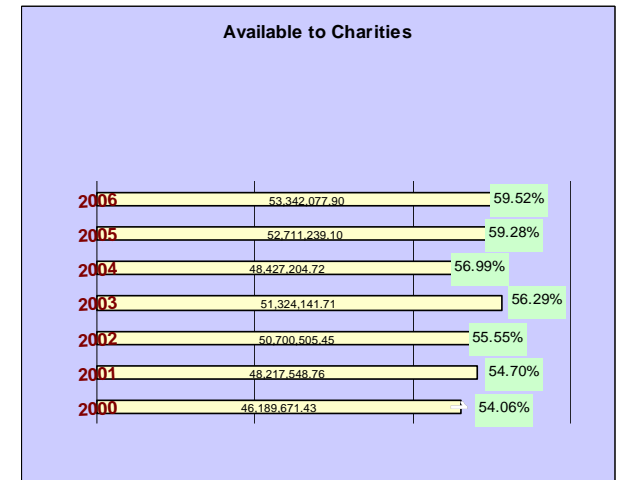
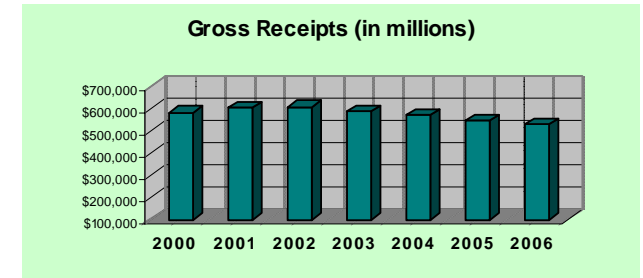
In 2006, Kentucky experienced a decrease in charitable gaming gross receipts. The “handle,” which is the money taken at the door before payouts or expenses are deducted, totaled **\$528,853,471.24** in 2006, a decrease of over \$16 million from 2005. This decrease can be related to changes in the economy. The total payout statewide was **\$439,234,398.26**. The payout averages **83 percent** of the statewide gross handle.

B. Retention Percentage

After expenses, the charities had **\$53,342,077.90** available for charitable purposes, **\$630,838** more than last year. More importantly, the percentage of total dollars wagered that is available to (retained by) the charities was **59.52 percent**, up from **59.28 percent** in 2005.

C. Attendance

The reported statewide attendance for 2006 was **4,485,189** individuals, a decrease of **218,477** from last year. The five largest gaming counties in attendance are: Jefferson, Simpson, Bell, Whitley, and Boyd. These counties accounted for **49.5 percent** of the attendance statewide. The six largest gaming counties in gross receipts are: Jefferson, Simpson, Boyd, Bell, Whitley and Kenton. Of the 120 counties in Kentucky, 90 have some form of charitable gaming.



D. Comparison to Other States

Kentucky has consistently ranked within the top six states in gross receipts (handle) in charitable gaming. The 2006 statistics from the National Association of Fundraising Ticket Manufacturers (NAFTM) are not yet available. However, Kentucky was fourth in gross receipts in 2005. Other states in the top five were Minnesota, Washington, Texas and Indiana. Minnesota was far and away the leader with more than \$1.3 billion wagered, followed by Washington with more than \$881 million and Texas with more than \$663 million. Kentucky wagered over \$546 million and Indiana wagered over \$520 million in 2005.

II. CHARITABLE ORGANIZATIONS/TYPES OF LICENSEES

A. Types of Charities

Charitable gaming licensees include churches, schools, band and athletic boosters, community sports programs, veterans, volunteer fire and rescue departments, animal rights groups, groups that support the arts, history or museums; and fraternal and civic groups such as Optimists, Ruritan, Jaycees, Kiwanis, Rotary, Elks, Moose, Lions, Eagles and police.

The single largest group of licensees is Catholic charities, churches, schools and men's groups. This accounts for approximately one-third of all licensees. The next largest group is associated with the military. Together, Catholics and veterans account for approximately half of all licensees. Other significant categories of licensees are volunteer fire departments, school booster groups and arts funding.

2005 TOP FIVE STATES BY GROSS RECEIPTS

STATE	GROSS RECEIPTS
Minnesota	\$1,328,494,000
Washington	\$881,272,134
Texas	\$663,613,852
Kentucky	\$546,254,321
Indiana	\$520,400,585

- **Kentucky has consistently ranked among the top six states in gross receipts in charitable gaming.**
- **One-third of charitable gaming licensees are Catholic charities (churches, schools or men's groups).**
- **Organizations associated with military veterans make up the second largest group of licensees.**

At the end of 2006, there were 736 licensed charities and 414 exempt organizations in Kentucky. The Office of Charitable Gaming issued 246 charity fundraising event licenses (fairs, festivals, etc.), and 309 special limited charity fundraising event licenses (casino nights).

B. Games

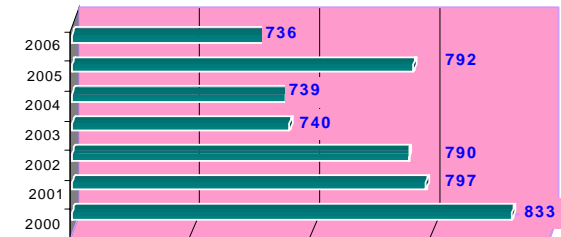
A charitable gaming license allows charities to play bingo, sell charity game tickets or pulltabs, hold raffles, have casino nights, and have school and church festivals and picnics, among other things. Of the charities licensed at the end of the year, 208 ran two bingo sessions per week and 223 ran one bingo session per week. The remaining 305 charities conducted a raffle, sold pulltabs or had charity fundraising events only.

C. Charities' Gross Receipts

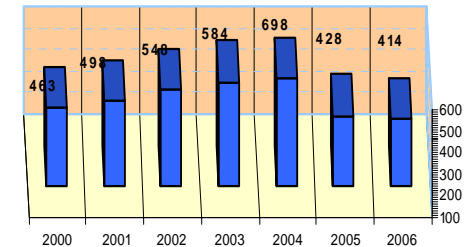
Of the 818 charities that reported in 2006:

- 1) Sixty-seven had no gross receipts;
- 2) Total organizations with gross receipts less than \$100,000: 312
 - Gross receipts less than \$1,000: 4
 - Gross receipts \$1,000-\$9,999: 77
 - Gross receipts \$10,000-\$49,999: 152
 - Gross receipts \$50,000-\$99,999: 79

Charitable Gaming Licenses Issued



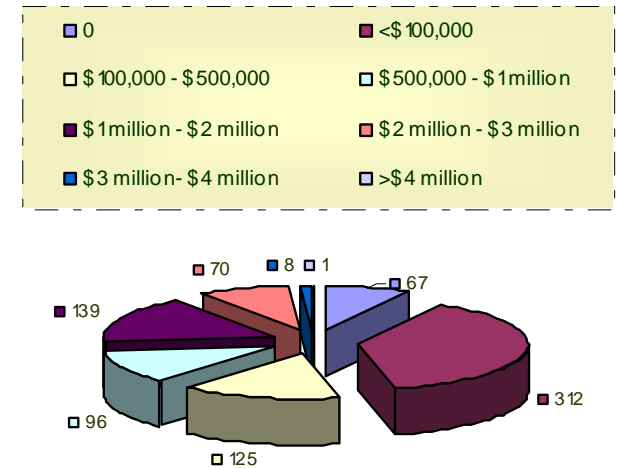
Exemption Acknowledgements Issued



- 3) Total organizations with gross receipts of \$100,000 to \$499,999: 125
 - Gross receipts \$100,000-\$199,999: 47
 - Gross receipts \$200,000-\$299,999: 23
 - Gross receipts \$300,000-\$399,999: 28
 - Gross receipts \$400,000-\$499,999: 27
- 4) Total organizations with gross receipts of \$500,000 to \$999,999: 96
 - Gross receipts \$500,000-\$599,999: 20
 - Gross receipts \$600,000-\$699,999: 16
 - Gross receipts \$700,000-\$799,999: 24
 - Gross receipts \$800,000-\$899,999: 17
 - Gross receipts \$900,000-\$999,999: 19
- 5) Total organizations with gross receipts \$1 million-\$1.9 million: 139
- 6) Total organizations with gross receipts \$2 million-\$2.9 million: 70
- 7) Total organizations with gross receipts \$3 million-\$3.9 million: 8
- 8) Total organizations with gross receipts over \$4 million: 1

Factoring out charities that reported no gross receipts, 533 charities had receipts less than \$1 million and 218 charities had receipts of \$1 million or more. The average gross receipts per charity were **\$704,199.03**.

How Much Do Charities Make?



D. Expenses

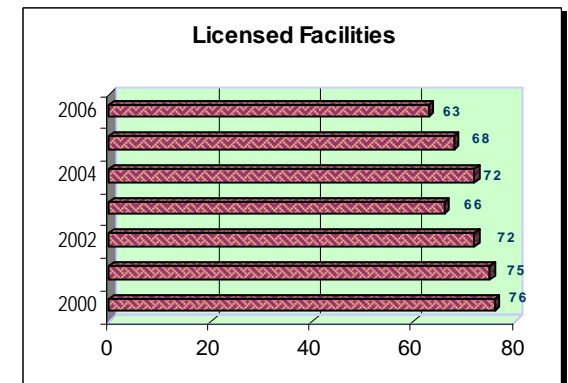
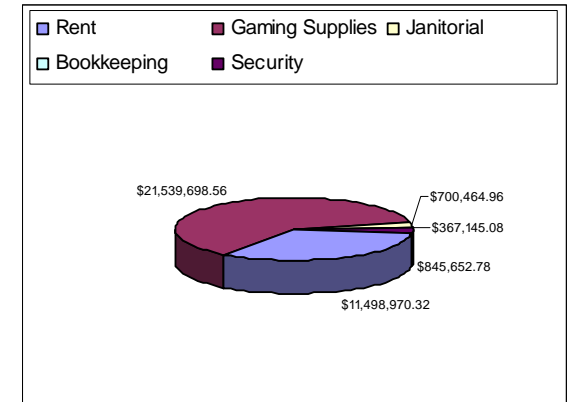
Total expenses for charities statewide for 2005 were \$36,276,995.08. Of that total, \$11,498,970.32 was facility rent. The average facility made \$182,523.34 strictly from rental of the facility. This accounts for 31.6 percent of the expenses the charities paid.

Charities paid distributors \$21,539,698.56 for gaming supplies and equipment. The average distributor grossed \$1,025,699.93 on Kentucky charities. This accounts for 59.3 percent of the expenses the charities pay. Together, facilities and distributors alone account for 91 percent of the expense dollar.

Remaining expenses include utilities, insurance, advertising, janitorial services, bookkeeping, security and trade organization dues. Statewide, charities paid \$845,652.78 for security, \$700,464.96 for janitorial services and \$367,145.08 for bookkeeping.

E. Facilities

In 2006, the OCG licensed 63 facilities. This number does not include organizations which game at their own facility or facilities which do not have more than two organizations gaming.



F. Distributors

The OCG ended 2006 with 21 licensed distributors.

G. Manufacturers

In 2006, the OCG licensed 25 manufacturers, all of which were out-of-state businesses.

III. DIVISION OF LICENSING & COMPLIANCE

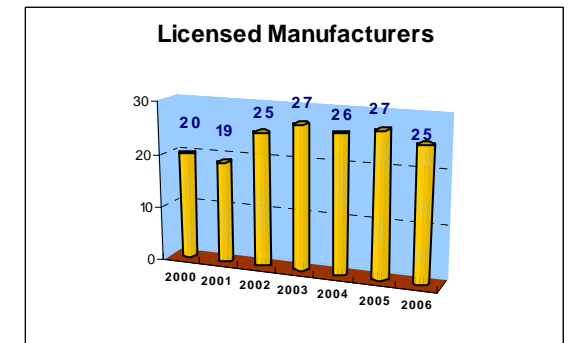
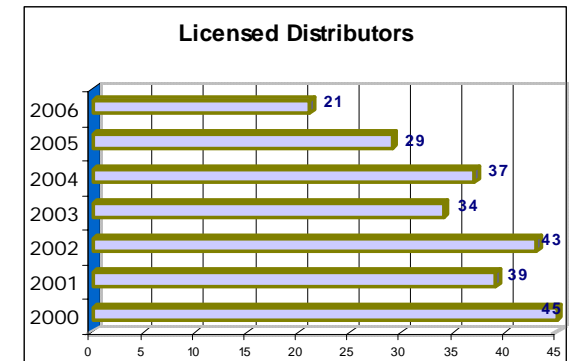
The Division of Licensing and Compliance has three branches: Licensing, Compliance and Accounting.

A. Licensing Branch

The Licensing Branch reviews license applications for organizations, facilities, distributors and manufacturers, sends deficiency letters if required, refers applications for criminal history checks, reviews exempt status organizations, issues licenses and processes license changes requested by licensees.

B. Accounting Division

The Accounting Division reviews and reconciles quarterly report forms filed by organizations, facilities and distributors, processes fees for licensees, processes annual reports filed by exempt organizations and calculates the retention rate of organizations based on quarterly reports at the end of the calendar year.



C. Compliance Branch

Ten charitable gaming compliance officers are located throughout the state. The compliance officers conduct on-site inspections of licensed charitable gaming activity to ensure adherence to applicable charitable gaming statutes and administrative regulations. In addition, compliance officers investigate complaints and perform background investigations on organizations. The Compliance Branch received 89 complaints and conducted 69 investigations in 2006.

IV. DIVISION OF ENFORCEMENT

The OCG has strong enforcement powers, including examining charitable gaming supplies and equipment and conducting in-depth audits and investigations. The Division of Enforcement has two branches, Audit and Investigations.

A. Audit Branch

The Audit Branch has six auditors located throughout the state and is headed by a certified public accountant. Auditors conduct in-depth audits of charitable gaming activities to ensure that high standards of accounting, record keeping and reporting of charitable gaming receipts are met. Audits may lead to corrective measures on the part of a licensee and/or administrative action against the charitable organization's license.

Inspections are as follows:

1,476	Charitable Organizations
52	Facility Inspections
115	Special Limited Events
60	Charity Fundraising Events/Special Limited Events



The Audit Branch opened two (2) new audits, issued eight (8) final audit reviews, and currently has two (2) audits with pending court action.

B. Investigations Branch

There are five investigators located throughout the state. They investigate complaints with allegations of criminal wrongdoing, including theft, forgery, criminal possession of a forged instrument, promoting gambling, possession of a gambling device, participating in a continuing criminal enterprise, tax evasion and money laundering. Investigations can result in administrative action or civil and/or criminal action. The OCG often cooperates with federal prosecutors and federal law enforcement agencies, the Kentucky State Police and other local, state and federal law enforcement entities. In 2006, the enforcement branch assisted in federal indictments on four defendants and seized numerous amounts of illegal products and gambling devices.

V. COUNTY-BY-COUNTY BREAKDOWN

The following pages include charts of the gross receipts, gross payouts, expenses and attendance broken down by county.

The Investigations Branch opened 319 cases and closed 292, including cases from prior years.

ARRESTS- 13

INDICTMENTS- 12

CITATIONS- 4

CONVICTIONS- 11

**COURT ORDERED
RESTITUTION- \$354,000**

**ADMINISTRATIVE
CASES/ACTIONS OPENED &
CLOSED- 7**

Charges Include:

- 1) Diversion of charitable gaming funds over \$300
- 2) Promoting gambling
- 3) Possession of a gambling device
- 4) Complicity to failure to make required disposition of property over \$300
- 5) Complicity to diversion of charitable gaming funds over \$300
- 6) Falsifying business records
- 7) Theft (Felony)
- 8) Forgery 2nd Degree